



For Immediate Release

March 11 2009

**Floor Statement of Senator Gregg on the Spending
in the President's Fiscal Year 2010 Budget
March 11, 2009
(unofficial)**

Mr. President, I want to address again the issue of the budget as proposed by the President of the United States, which is about to be taken up by the Budget Committees of the Senate and the House, and its implications for us as a nation, because the implications of it are rather dramatic.

Now, I understand, and all of us on our side of the aisle understand, that the last election was won by the President and his party, that the Democratic Party now controls the House, the Senate, and the Administration. And, therefore, they have the absolute responsibility and the right to send up a budget which reflects their priorities. But I think we have to have openness as to what the implications of that budget are, relative to the future of our nation. And they are dramatic.

As you look at the budget that's been proposed by this Administration, it represents the largest expansion in the government in our history. It is a proposal which is essentially moving the government into arenas with an aggressiveness that has never been seen before. It has in it the largest tax increase in history, as well as the fastest increase in the debt of our nation in history. The taxes go up by \$1.4 trillion under this budget; discretionary spending, which is spending that's not entitlement spending, goes up by \$725 billion; entitlement spending, which are things like health care, goes up by \$1.2 trillion; and yet there is no effort to save money in this budget, to reduce the cost of spending and the cost of the government. Instead, there is an expansion in this rather aggressive way of the government.

The practical effect of this is that within five years, the debt of the United States held by the public will double. That means that in the first five years of this Administration, presuming it is re-elected, they will have increased the debt more than the debt was increased since the founding of the Republic, all the way through the presidency of George W. Bush. They will have doubled the debt of the country. In ten years, because of this massive expansion in the size of the government, they will triple the debt.

What does debt mean? What does tripling the debt from \$5.8 trillion to \$15 trillion in ten years mean? Well, it basically means that Americans coming into the workforce, Americans of the next generation and the generation that follows that generation, will bear a burden for our generation; that the costs of today are being offloaded onto our children, and the result of that is very simple.

Our children and our grandchildren will have a country which will not give them as much opportunity as our country has given us, because the burden of our generation will be weighing them down. The costs that we have run up as a generation and passed on to them will set them behind the starting line. They will end up having less opportunity to buy a house, send their kids to college, live a quality of life that we have lived because they will start out with a debt and a burden of government which exceeds, in many instances, their ability to pay.

We are, under this proposal, heading the nation into an untenable situation. In the area of deficits, which translates into debt -- a deficit is what happens at the end of the year when your bills come in, if you've got more bills than you've got income, you end up with a deficit; that, then, becomes debt. In the area of deficits, this budget takes us up dramatically in the next two years to an all-time high, a number that's hardly even understandable -- \$1.7 trillion deficit this coming year. That's 28% of GDP being spent by the federal government.

Now, I'm willing to accept this number and not debate it because we are in a recession, and it's necessary for the government to step in and be aggressive, and the government is the last source of liquidity. And so you can argue that this number, although horribly large, is something we will simply have to live with.

But what you can't accept is what happens in the out-years. Rather than bringing this deficit down to a reasonable number, a number which would be sustainable for our children to bear, the President is proposing -- because he is proposing to expand the government dramatically, its size and its cost -- he is proposing deficits as far as the eye can see, of 3% to 4% of GDP. What does that mean, 3% to 4% of GDP?

Historically, the deficit of the United States over the last 20 years has been between 1% and 2% of GDP. It means that every year, we're adding so much more debt than we can afford to our nation, that our children will have less opportunity to succeed. Historically, the debt of the federal government has been about 40% of GDP. In these out-years, ignoring this situation here which is driven by the very severe recession, in these out-years, the public debt compared to GDP will stay at about 67 percent of GDP -- not 40% which is sustainable, but 67%. Those are numbers which if we were in another part of the world would be described as a banana republic because they are not sustainable and they drive us up to a cost which is not affordable. Those are the numbers which are driving the tripling of the national debt in ten years.

And you may say, well, where does that all come from, all this expansion and debt that's being put on our children's backs? It comes, quite simply, from spending. This

Administration has proposed the largest increase in the size of the federal government in our history, a massive shift to the left of the government. This is a chart which shows the historical spending of the federal government as a percentage of GDP. Historically, this line right here reflects what is the mean, which is somewhere around 20% of GDP. That's a big chunk of the GDP to spend on your federal government but that is what we have been doing. The recession spikes it up to 28% but this Administration does not plan to bring it down to historical levels; rather, they intend to keep spending at around 22% to 23% of GDP. That's not affordable. It's not sustainable.

Why is it not sustainable? Because they don't increase taxes to that level. If they did they would be creating a terrible situation for young people who are going into the workforce. Rather, they simply run up debt to try to cover that difference at a catastrophically fast rate. You have to bring this spending line down if you are going to have a responsible budget.

Now, why does this go up so much? Why is this spending level going up so much? Well, it goes up so much because essentially they are planning to nationalize large segments of economy, to have the government take over the responsibility for large segments of the economy. The most specific area is in educational loans where today we have what's known as a public-private balance where some people get their loans directly from the federal government and some people get their loans from the private sector. They're going to end that policy and have the federal government take over all lending. That's the most specific.

But if you look at their health care policy, they are moving in that direction, there, too. They have suggested in this budget that we should increase health care spending as a down payment by \$634 billion. That's a down payment. The actual number of the increase is closer to \$1.2 trillion in new health care spending. What does that really mean? Essentially today we as a government and we as a nation spend 17% our GDP on health care. That's much more than any other industrialized nation in the world spends. The next closest nation spends about 12% or 11%.

So it isn't that we're not spending enough on health care in this country. It's that we don't use it, or allocate it, very well. The Administration is suggesting we should expand that spending in the area of health care by another \$1.2 trillion as they move the federal government into the role of basically deciding how health care should be managed in this country in a much more direct way and that is one of the reasons this spending line stays up so high.

At the same time they're suggesting massive new tax increases -- the largest tax increases in history. Now, this has been covered with the argument that 'oh, this will just tax the wealthy. The rich among us are the ones who will pay the taxes.' Well, that's a canard, a straw dog. When you start increasing the taxes at rate they're proposed in this budget, \$1.4 trillion of new taxes, you're going to hit everybody. You're going to hit everybody pretty hard.

There is in this budget proposal something that is called a carbon tax, a characterization that covers up what it really is: a national sales tax on your electric bill. It is estimated by MIT, a fairly objective institution, that this national sales tax on your electric bill will raise around \$300 billion a year; that will be added to your electrical bill. The Administration says it's \$64 billion but the same problem they're talking about when looked at by an objective group at MIT concluded the real costs will be \$300 billion. Whether it's \$64 billion or \$300 billion, it is a huge tax that will affect every American when they get their electric bill.

In addition, they have this tax which they call the "wealthy tax," people over \$250,000 will have their rate for taxes go up to 42%. They are mostly small business people who run a restaurant, or a small software company, or a small manufacturing firm. They're the people who create jobs in this country. Most small businesses are sole proprietorship, subchapter S corporations. The money they make is to the individual who runs the small business, and it is taxing them personally. What did they do with that money? They take it and invest it in the small business. Where are jobs created in this nation? By small business. This is a tax on small business.

And then, of course, they raise the capital gains rate, they raise the dividend rates. Aren't we in a recession? Why would you raise taxes on the productive side of the economy when you're in a recession? Is that constructive? No, the stock markets are saying exactly that, they're looking at this budget and saying, 'wow, this is the largest increase in the government ever proposed and it's going to be borne by the entrepreneurs and the small business people so do we really want to invest in America and put our money into the effort to try to make this country grow?' There are second thoughts in the stock market. That is what is happening. It is not constructive to economic growth.

Tax policy has to be constructed in a way that creates an incentive for people to go out and take risks, be willing to take their money and invest in something that will create jobs. When you say to someone, 'we're going to take 40 cents of the next dollar you make, and you throw state and local taxes on top of that -- for example in New York it will amount to almost 60% of the next dollar -- people think, 'well, why should I invest in something that's a taxable event? Let me invest in something that's not a taxable event.'

And so instead of getting an efficient use of capital, you get people running around investing their money and trying to avoid taxes and as a result, you don't create more jobs, you just create more tax attorneys. Maybe that's jobs. I used to be a tax attorney so I shouldn't pick on tax attorneys, but it is not efficient way to use capital.

We saw over the last seven years, prior to this recession, we saw a tax policy which saw the largest increase in revenues for four straight years that this country has ever experienced. We saw a tax policy which basically stood on the head the idea that if you maintain a low tax burden of capital gains you collect fewer taxes. It did the opposite. We collected more.

In fact, over the last seven years, because of the tax policy that was in place, the tax code became more progressive. The top 20% of income producers in this country ended up paying 85.7% of the income taxes in the country. That was compared with the Clinton years when the top 20% of income producers in this country paid 82% of the taxes. And at the same time, the bottom 40% of people receiving income in this country ended up getting twice as much back because they don't pay income taxes and they get a rebate in many instances through the EITC, and they ended up getting twice as much back than during the Clinton years.

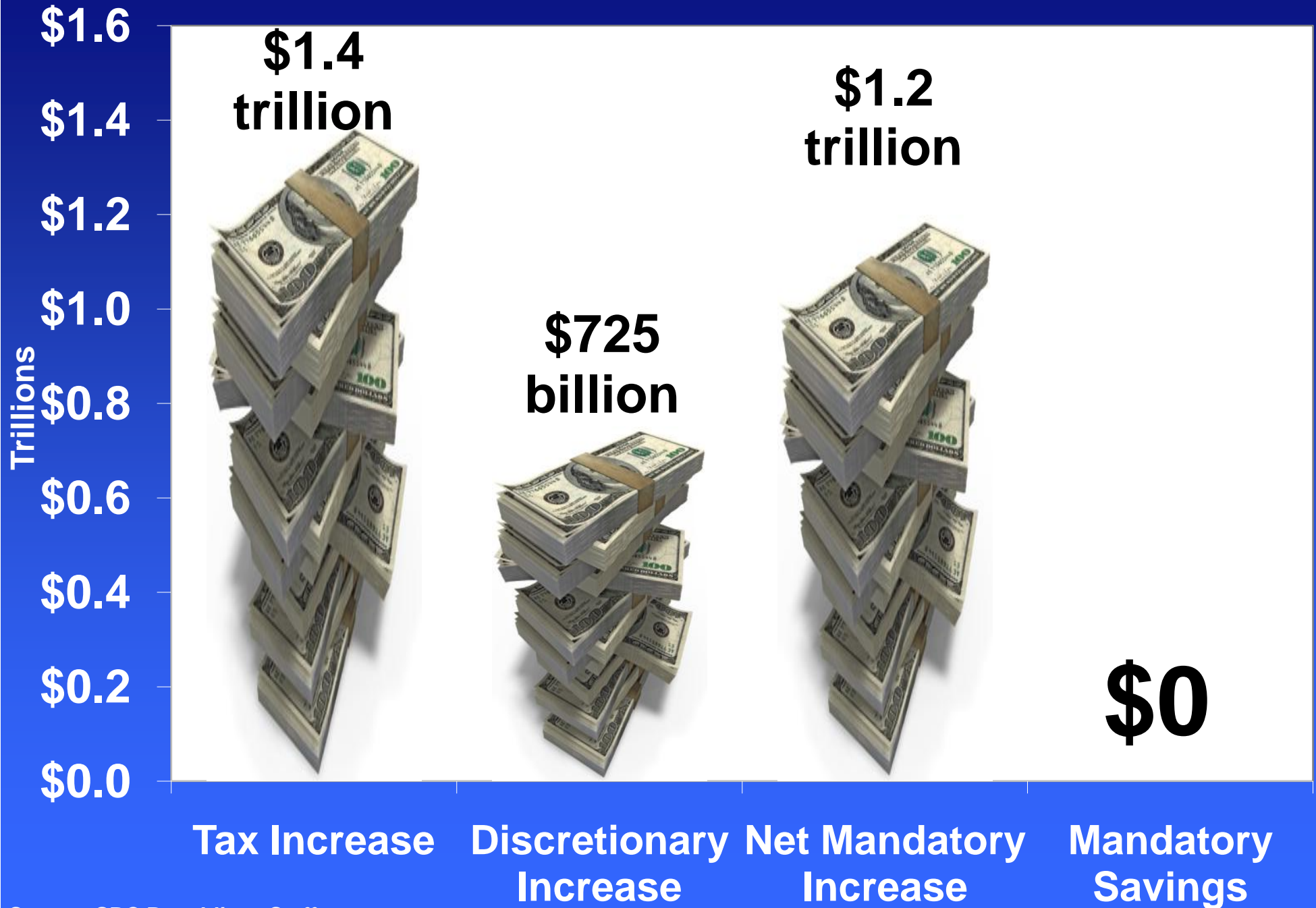
So you actually had, in the last seven years, a tax policy that encouraged growth, encouraged entrepreneurship, encouraged job creation, and which was generating more revenues to the federal Treasury, and yet being more progressive than during the period of the Clinton years.

But what the Administration has suggested is we should go back to the Clinton years and do even more by creating an effective rate that will go above the Clinton year rates to 42%, 41%. It makes no sense. Especially at a time we are in a recession to have that sort of attack, basically, on small business and job producers in our nation.

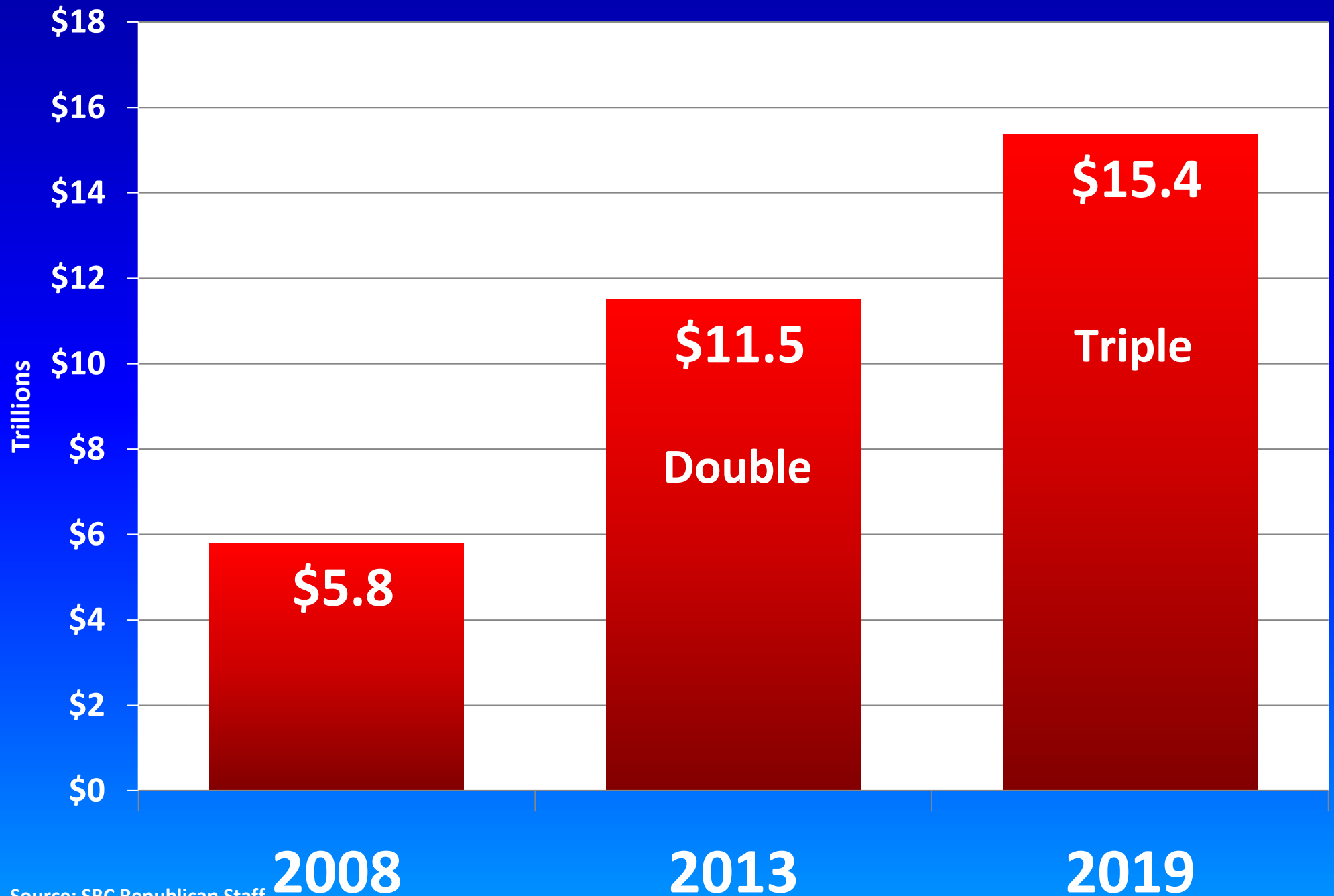
So this budget, this budget is a statement of policy which is pretty definitive and I don't believe is very constructive. It is a statement of policy that says we're going to radically expand the spending in this country; we're going to radically expand the size of government in this country; we're going to end up after five years with a government that we can't afford, spending more than at any time in our history, and running up deficits which are going to compound the problems for our children. It's not constructive in my opinion. I think we can do a lot better, and we can do it this year rather than wait.

Mr. President, I yield the floor.

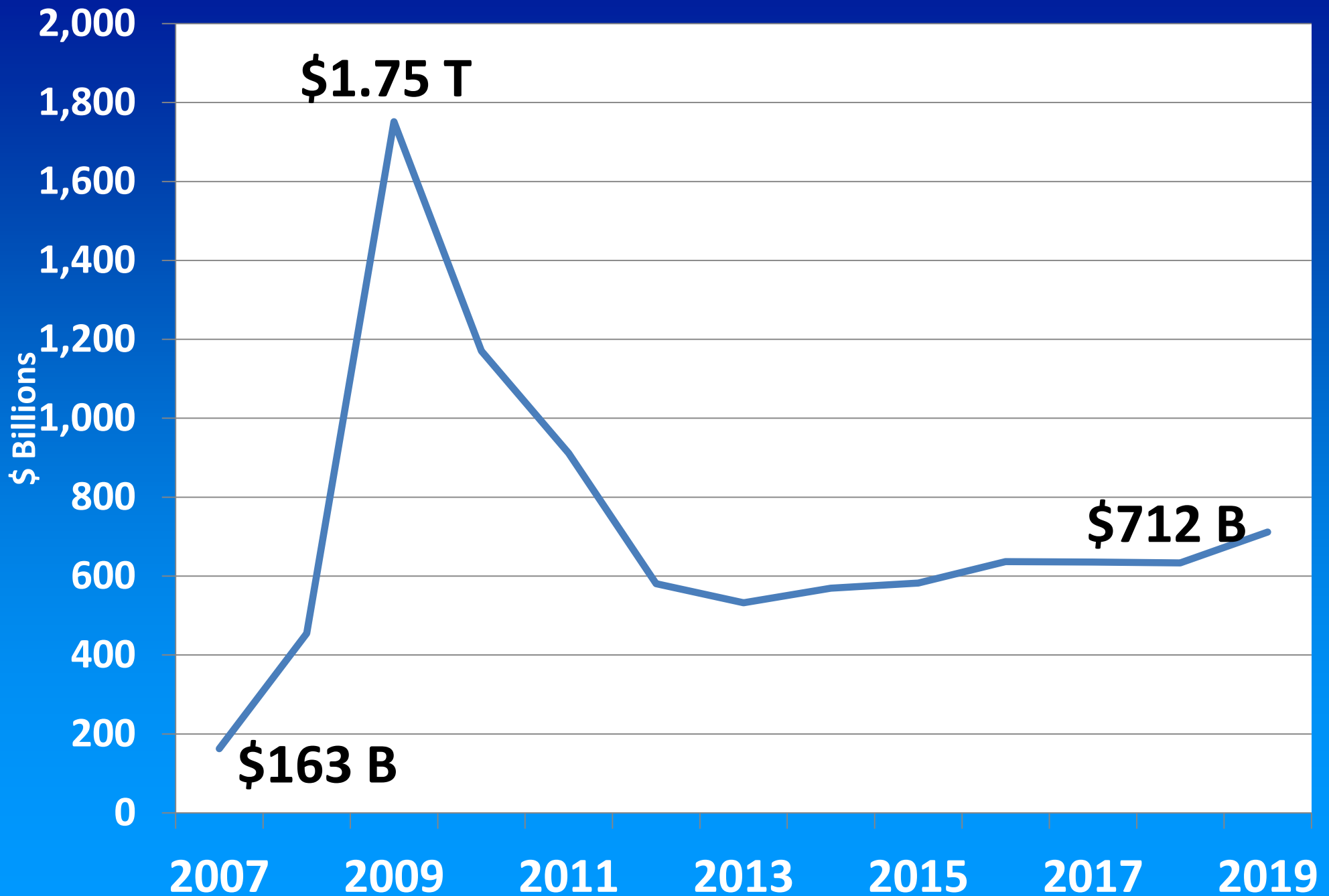
President Obama's Budget Highlights



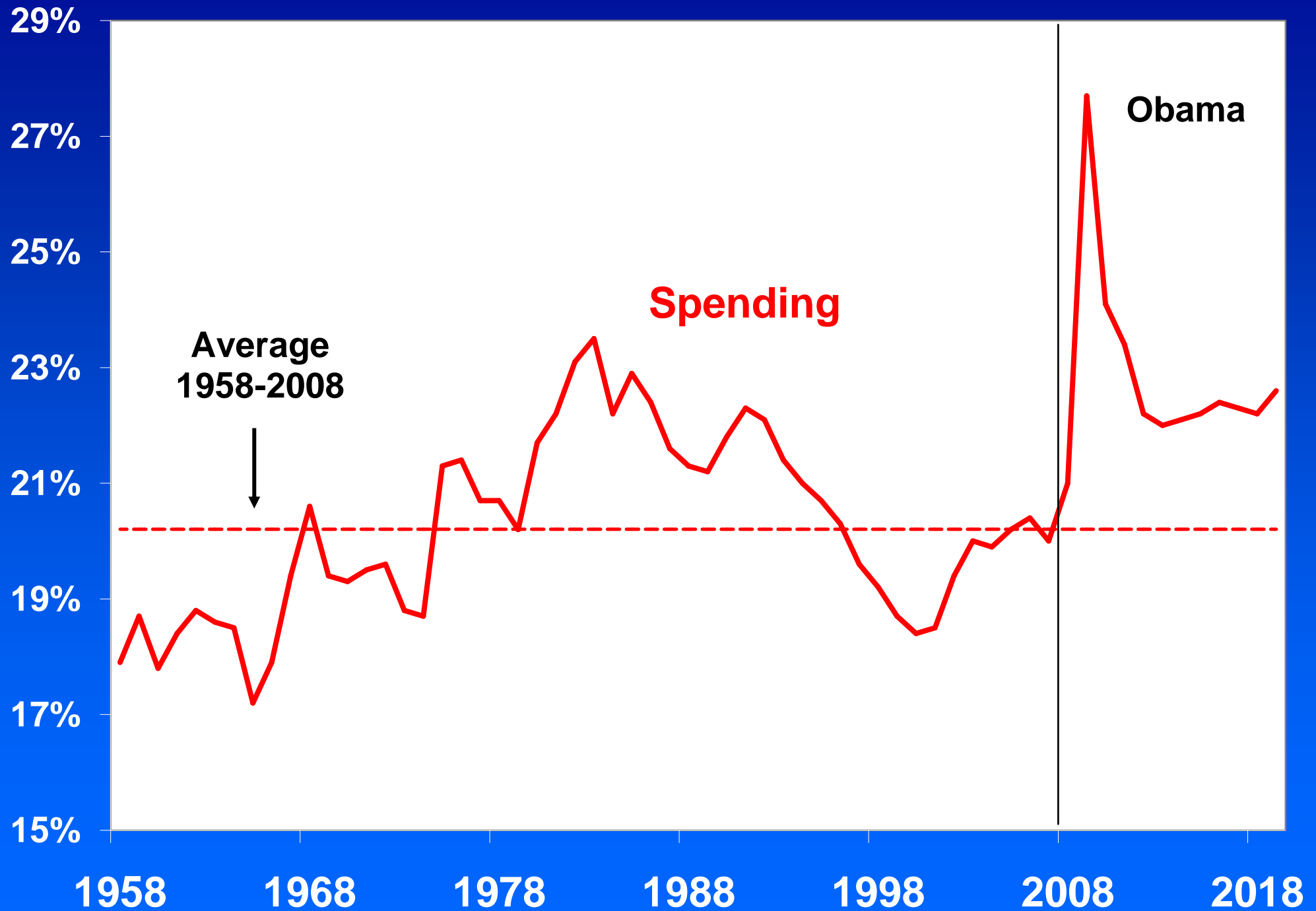
Debt Held by the Public Scores a Triple Double



Deficits Remain Too High Under Obama Budget



Federal Spending as % of GDP



Source: SBC Republican Staff